

Federal Housing Finance Board

§ 925.11

institution also must have mortgage-related assets that reflect a commitment to housing finance, as determined by the Bank in its discretion.

(d) *Ineligibility.* Except as otherwise provided in this part, if an applicant does not satisfy the requirements of this part, the applicant is ineligible for membership.

[61 FR 42545, Aug. 16, 1996, as amended at 65 FR 13870, Mar. 15, 2000; 70 FR 9510, Feb. 28, 2005]

§ 925.7 Duly organized requirement.

An applicant shall be deemed to be duly organized as required by section 4(a)(1)(A) of the Act (12 U.S.C. 1424(a)(1)(A)) and § 925.6(a)(1) of this part, if it is chartered by a state or federal agency as a building and loan association, savings and loan association, cooperative bank, homestead association, insurance company, savings bank or insured depository institution.

[61 FR 42545, Aug. 16, 1996, as amended at 65 FR 8261, Feb. 18, 2000; 67 FR 12848, Mar. 20, 2002; 70 FR 9510, Feb. 28, 2005]

§ 925.8 Subject to inspection and regulation requirement.

An applicant shall be deemed to be subject to inspection and regulation as required by section 4(a)(1)(B) of the Act (12 U.S.C. 1424(a)(1)(B)) and § 925.6(a)(2) of this part, if, in the case of a depository institution applicant, it is subject to inspection and regulation by the FDIC, FRB, NCUA, OCC, OTS, or other appropriate state regulator, and, in the case of an insurance company applicant, it is subject to inspection and regulation by an appropriate state regulator accredited by the National Association of Insurance Commissioners.

[61 FR 42545, Aug. 16, 1996, as amended at 65 FR 8261, Feb. 18, 2000; 67 FR 12848, Mar. 20, 2002; 70 FR 9510, Feb. 28, 2005]

§ 925.9 Makes long-term home mortgage loans requirement.

An applicant shall be deemed to make long-term home mortgage loans as required by section 4(a)(1)(C) of the Act (12 U.S.C. 1424(a)(1)(C)) and § 925.6(a)(3) of this part, if, based on the applicant's most recent regulatory financial report filed with its appropriate regulator, the applicant origi-

nates or purchases long-term home mortgage loans.

[61 FR 42545, Aug. 16, 1996, as amended at 63 FR 40023, July 27, 1998; 65 FR 8261, Feb. 18, 2000; 67 FR 12848, Mar. 20, 2002; 70 FR 9510, Feb. 28, 2005]

§ 925.10 10 percent requirement for certain insured depository institution applicants.

An insured depository institution applicant that is subject to the 10 percent requirement of section 4(a)(2)(A) of the Act (12 U.S.C. 1424(a)(2)(A)) and section 925.6(b) of this part, shall be deemed to be in compliance with such requirement if, based on the applicant's most recent regulatory financial report filed with its appropriate regulator, the applicant has at least 10 percent of its total assets in residential mortgage loans, except that any assets used to secure mortgage debt securities as described in paragraph (6) of the definition of "residential mortgage loan" set forth in § 925.1 of this part shall not be used to meet this requirement.

[65 FR 13870, Mar. 15, 2000, as amended at 67 FR 12848, Mar. 20, 2002]

§ 925.11 Financial condition requirement for applicants other than insurance companies.

(a) *Review requirement.* In determining whether an applicant other than an insurance company has complied with the financial condition requirement of section 4(a)(2)(B) of the Act (12 U.S.C. 1424(a)(2)(B)) and § 925.6(a)(4) of this part, the Bank shall obtain as a part of the membership application and review each of the following documents:

(1) *Regulatory financial reports.* The regulatory financial reports filed by the applicant with its appropriate regulator for the last six calendar quarters and three year-ends preceding the date the Bank receives the application;

(2) *Financial statement.* In order of preference: the most recent independent audit of the applicant conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the applicant; the most recent independent audit of the applicant's parent holding company

conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company but not on the applicant separately; the most recent Directors' examination of the applicant conducted in accordance with generally accepted auditing standards by a certified public accounting firm; the most recent Directors' examination of the applicant performed by other external auditors; the most recent review of the applicant's financial statements by external auditors; the most recent Compilation of the applicant's financial statements by external auditors; or the most recent audit of other procedures of the applicant;

(3) *Regulatory examination report.* The applicant's most recent available regulatory examination report prepared by its appropriate regulator, a summary prepared by the Bank of the applicant's strengths and weaknesses as cited in the regulatory examination report, and a summary prepared by the Bank or applicant of actions taken by the applicant to respond to examination weaknesses;

(4) *Enforcement actions.* A description prepared by the Bank or applicant of any outstanding enforcement actions against the applicant, responses by the applicant, reports as required by the enforcement action, and verbal or written indications, if available, from the appropriate regulator of how the applicant is complying with the terms of the enforcement action; and

(5) *Additional information.* Any other relevant document or information concerning the applicant that comes to the Bank's attention in reviewing the applicant's financial condition.

(b) *Standards.* An applicant other than an insurance company shall be deemed to be in compliance with the financial condition requirement of section 4(a)(2)(B) of the Act (12 U.S.C. 1424(a)(2)(B)) and § 925.6(a)(4) of this part, if:

(1) *Recent composite regulatory examination rating.* The applicant has received a composite regulatory examination rating from its appropriate regulator within two years preceding the date the Bank receives the application;

(2) *Capital requirement.* The applicant meets all of its minimum statutory and regulatory capital requirements as reported in its most recent quarter-end regulatory financial report filed with its appropriate regulator; and

(3) *Minimum performance standard.* (i) The applicant's most recent composite regulatory examination rating from its appropriate regulator within the past two years was "1;" or was "2" or "3" and, based on the applicant's most recent regulatory financial report filed with its appropriate regulator, the applicant satisfied all of the following performance trend criteria:

(A) *Earnings.* The applicant's adjusted net income was positive in four of the six most recent calendar quarters;

(B) *Nonperforming assets.* The applicant's nonperforming loans and leases plus other real estate owned, did not exceed 10 percent of its total loans and leases plus other real estate owned, in the most recent calendar quarter; and

(C) *Allowance for loan and lease losses.* The applicant's ratio of its allowance for loan and lease losses plus the allocated transfer risk reserve to nonperforming loans and leases was 60 percent or greater during 4 of the 6 most recent calendar quarters.

(ii) For applicants that are not required to report financial data to their appropriate regulator on a quarterly basis, the information required in paragraph (b)(3)(i) of this section may be reported on a semiannual basis.

(c) *Eligible collateral not considered.* The availability of sufficient eligible collateral to secure advances to the applicant is presumed and shall not be considered in determining whether an applicant is in the financial condition required by section 4(a)(2)(B) of the Act (12 U.S.C. 1424(a)(2)(B)) and § 925.6(a)(4) of this part.

[61 FR 42545, Aug. 16, 1996, as amended at 63 FR 40023, 40024, July 27, 1998; 65 FR 8261, Feb. 18, 2000; 67 FR 12848, Mar. 20, 2002; 70 FR 9510, Feb. 28, 2005]

§ 925.12 Character of management requirement.

An applicant shall be deemed to be in compliance with the character of management requirement of section 4(a)(2)(C) of the Act (12 U.S.C.